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## **N. H. SECURITIES REGULATORS CAUTION INVESTORS**

**Concord, NH (January 30,2003)** - The New Hampshire Bureau of Securities Regulation today released a list of some of the more common securities scams and schemes New Hampshire investors may run across in the coming year. Enforcement Attorney Jeff Spill said con artists know investors are concerned with low interest rates on fixed investments so they may tailor a pitch promising safe alternatives with the promise of high returns. Unfortunately, this is an impossible combination in today's market and should immediately alert citizens to investigate further before investing.

Spill emphasized that prospective investors should focus on what investments might be suitable for them based on criteria such as age, income level and their tolerance for risk. "For instance, is the investor looking for growth in an investment or steady income," said Spill. "And of course, we always alert people to be skeptical of any opportunity that simply seems too good to be true. That is often the giveaway of salespeople pitching investments that might not be legitimate."

Unlicensed individuals selling risky or fraudulent securities are a continuing problem throughout the country. For instance, in one scam, investors in at least fourteen states lost close to \$30 million. The Bureau pointed out that while most brokers are honest, hardworking professionals, some may let high commissions tempt them into selling high-risk or inappropriate investments. The declining stock market has also caused some

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stockbrokers to cut corners or resort to outright fraud. Investors should be cautious and scrutinize their brokerage statements for unexplained fees, unauthorized trades or other irregularities such as churning (excessive trades) and switching. The New Hampshire Bureau recently settled a case with a major brokerage house for \$575,000 in relation to inappropriate recommendations by one of their stockbrokers.

Equipment leasing scams are also becoming more prevalent around the company. While many equipment leasing deals are legitimate, thousands of investors have been scammed by individuals selling interest in pay phones, ATMs or internet kiosks. In a typical equipment leasing scam, a company sells a piece of equipment through a middleman. As part of the sale, the company agrees to lease back and service the equipment for a fee. Investors are promised high returns with little or no risk. State Regulators have found that high commissions paid to salesmen and promised returns that are unrealistically high doom many of these projects.

One state in the northeast took action against seven brokers and two firms for bilking hundreds of elderly investors out of more than \$12.5 million through a pay telephone scam. The brokers pressured investors into liquidating their CDs, annuities and IRAs--sometimes at a significant penalty—and promised them risk-free 14 percent returns.

The Securities Bureau is also cautioning investors regarding gift annuities and promissory notes. Charitable gift annuities are transfers of cash or property to a charitable organization. The value of the annuity is less than the value of the cash or property, with the difference constituting a charitable donation. While many of these are legitimate, investors should be skeptical of little known organizations or those that provide only sketchy information. In Arizona, regulators uncovered a scam that took more than 400 investors for an average of \$133,000, and uncovered what amounted to a \$54 million Ponzi scheme run through financial planners and accountants. A Ponzi scheme is one in which early investors are paid off by money coming from new victims. Eventually the plug is pulled and the promoter either disappears or reveals that the investments have gone sour.

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Promissory notes are short term debt instruments issued by little known or non-existent companies promising high returns—upwards of 15 percent a month—with little or no risk. In Georgia, state regulators together with the FBI found one enterprise had scammed over \$150 million from investors all over the country. In another case in the state of Maine, an individual was sentenced to seven years in prison for running a promissory note scam that took investors for more than \$1million.

The Bureau also cautions prospective investors to be particularly leery of solicitations by salespeople who are overly abusive or threatening and to always investigate before investing. “People can save themselves a lot of grief by simply asking an individual who contacts them if he or she is licensed to sell investments. Prospective investors might also ask if the investment itself is registered,” said Spill.

The Securities Bureau would also especially like to alert New Hampshire’s senior citizens to be particularly vigilant when receiving unsolicited calls regarding investments, particularly if the caller seems unprofessional or is pitching opportunities that seem extraordinarily optimistic. Studies show that senior citizens are most often the target of unethical advisors and unlicensed scammers and the Bureau is currently developing programs that will help raise the level of awareness throughout the senior community statewide.

To check out an investment or salesperson, or to report any suspicious or possible fraudulent solicitation, please contact the New Hampshire Bureau of Securities Regulation.